



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE September 2, 2005

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Turkey Marketing Council for the years ended December 31, 2004 and 2003.

The purpose of the Council is to develop and expand the market for turkeys and turkey products, to improve the production and marketing within Iowa through cooperation with regional and national affiliates and to obtain and distribute useful research and educational materials.

Vaudt reported the Council's net turkey producer fee revenue totaled \$176,544 for the year ended December 31, 2004, a 19.3% decrease from 2003. The decrease in revenue was primarily due to one less turkey processing plant operating in the state during 2004 than during 2003.

Expenses for the year ended December 31, 2004 totaled \$194,408, a decrease of 29.3% from the prior year, and included \$65,413 for salaries and benefits and \$79,872 for promotional development. The decrease in expenses was primarily from a reduced amount expended for education and research and a reduced amount of contribution provided to the Iowa Turkey Federation.

A copy of the audit report is available for review in the Office of Auditor of State and the Iowa Turkey Marketing Council.

###

**IOWA TURKEY MARKETING COUNCIL**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS**

**DECEMBER 31, 2004 AND 2003**

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## Iowa Turkey Marketing Council

### Officials

Name

Title

#### State

Honorable Thomas J. Vilsack  
Michael L. Tramontina  
Dennis C. Prouty

Governor  
Director, Department of Management  
Director, Legislative Services Agency

#### Council

Ray Team  
Robert Achen  
Nathan Hill  
Mark Dorenbush  
Pam Larson  
Dr. Dong Ahn  
Harold Hommes  
Honorable Patty Judge

Chairperson  
Member  
Member  
Member  
Member  
Member  
Member  
Secretary, Iowa Department of Agriculture  
and Land Stewardship

#### Agency

Gretta Irwin

Executive Director/Council Secretary

**Iowa Turkey Marketing Council**



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Independent Auditor's Report

To the Members of the Iowa Turkey  
Marketing Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Turkey Marketing Council as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Turkey Marketing Council at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2005 on our consideration of the Iowa Turkey Marketing Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 28, 2005

**Iowa Turkey Marketing Council**

## **Financial Statements**

**Exhibit A**

---

Iowa Turkey Marketing Council  
Statements of Financial Position  
December 31, 2004 and 2003

|  | <u>2004</u>              | <u>2003</u>           |
|--|--------------------------|-----------------------|
| <b>Assets</b>  |                          |                       |
| Current assets:  |                          |                       |
| Cash (note 2)  | \$ 54,578                | 74,076                |
| Due from turkey processors   | 39,455                   | 28,091                |
| Total current assets   | <u>94,033</u>            | <u>102,167</u>        |
| Furniture and equipment (net of accumulated depreciation of \$5,970 and \$8,064) | <u>7,291</u>             | <u>5,443</u>          |
| <b>Total assets</b>  | <u><u>\$ 101,324</u></u> | <u><u>107,610</u></u> |
| <b>Liabilities and Net Assets</b>  |                          |                       |
| Current liabilities:   |                          |                       |
| Refunds payable  | \$ 14,434                | 20,176                |
| Accounts payable   | 18,644                   | -                     |
| Compensated absences   | 775                      | 1,249                 |
| Total current liabilities  | <u>33,853</u>            | <u>21,425</u>         |
| Net assets - unrestricted  | <u>67,471</u>            | <u>86,185</u>         |
| <b>Total liabilities and net assets</b>  | <u><u>\$ 101,324</u></u> | <u><u>107,610</u></u> |

See notes to financial statements.

Iowa Turkey Marketing Council

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2004 and 2003

|   | 2004             | 2003            |
|---|------------------|-----------------|
| Operating revenues:                     |                  |                 |
| Turkey producer fees                    | \$ 292,995       | 419,380         |
| Less out of state refunds               | (116,451)        | (200,640)       |
| Net operating revenues                  | <u>176,544</u>   | <u>218,740</u>  |
| Operating expenses (note 5):            |                  |                 |
| Salaries and benefits                   | 65,413           | 66,554          |
| Travel and subsistence                  | 3,289            | 7,581           |
| Promotional development                 | 79,872           | 85,691          |
| Education and research                  | 11,300           | 30,380          |
| Office supplies                         | 779              | 964             |
| Telephone                               | 1,227            | 1,337           |
| Office rent/building expense            | 12,800           | 24,000          |
| Iowa Turkey Federation contribution     | 10,495           | 50,000          |
| Postage                                 | 1,074            | 1,093           |
| Insurance                               | 2,337            | 2,197           |
| Equipment maintenance                   | 2,343            | 3,102           |
| Depreciation                            | 1,553            | 1,594           |
| Memberships                             | 640              | 100             |
| Registration and subscriptions          | 1,286            | 526             |
| Total operating expenses                | <u>194,408</u>   | <u>275,119</u>  |
| Operating loss                          | <u>(17,864)</u>  | <u>(56,379)</u> |
| Non-operating revenues (expenses):      |                  |                 |
| Interest income                         | 624              | 1,203           |
| Loss on disposal of equipment           | (1,474)          | -               |
| Total non-operating revenues (expenses) | <u>(850)</u>     | <u>1,203</u>    |
| Changes in net assets                   | (18,714)         | (55,176)        |
| Net assets beginning of year            | <u>86,185</u>    | <u>141,361</u>  |
| Net assets end of year                  | <u>\$ 67,471</u> | <u>86,185</u>   |

See notes to financial statements.

**Exhibit C**

## Iowa Turkey Marketing Council

## Statements of Cash Flows

Years ended December 31, 2004 and 2003

|  | <u>2004</u>        | <u>2003</u>     |
|--|--------------------|-----------------|
| Cash flows from operating activities:  |                    |                 |
| Cash received from processors  | \$ 159,438         | 209,476         |
| Cash payments to suppliers for goods and services                                  | (108,798)          | (206,971)       |
| Cash payments to employees for services  | (65,887)           | (66,525)        |
| Net cash used for operating activities   | <u>(15,247)</u>    | <u>(64,020)</u> |
| Cash flows from investing activities:  |                    |                 |
| Interest received  | 624                | 1,203           |
| Cash flows from capital and related financing activities:                          |                    |                 |
| Acquisition of furniture and equipment   | <u>(4,875)</u>     | <u>(100)</u>    |
| Net decrease in cash and cash equivalents  | (19,498)           | (62,917)        |
| Cash and cash equivalents beginning of year  | <u>74,076</u>      | <u>136,993</u>  |
| Cash and cash equivalents end of year  | <u>\$ 54,578</u>   | <u>74,076</u>   |
| Reconciliation of operating loss to net cash used for operating activities:        |                    |                 |
| Operating loss   | <u>\$ (17,864)</u> | <u>(56,379)</u> |
| Adjustments to reconcile operating loss to net cash used for operating activities: |                    |                 |
| Depreciation   | 1,553              | 1,594           |
| Changes in assets and liabilities:   |                    |                 |
| (Increase) in due from turkey processors   | (11,364)           | (1,689)         |
| (Decrease) in refunds payable  | (5,742)            | (7,574)         |
| Increase in accounts payable   | 18,644             | -               |
| Increase (decrease) in compensated absences  | (474)              | 28              |
| Total adjustments  | <u>2,617</u>       | <u>(7,641)</u>  |
| Net cash used for operating activities   | <u>\$ (15,247)</u> | <u>(64,020)</u> |

See notes to financial statements.

Iowa Turkey Marketing Council

Notes to Financial Statements

December 31, 2004 and 2003

**(1) Summary of Significant Accounting Policies**

The purpose of the Iowa Turkey Marketing Council is to develop and expand the market for turkeys and turkey products, to improve the production and marketing within Iowa through cooperation with regional and national affiliates and to obtain and distribute useful research and educational materials. Statutory authority for the Iowa Turkey Marketing Council is included under Chapter 184A of the Code of Iowa. Funding is provided by a fee imposed on producers of turkeys sold for processing.

- A. Reporting Entity – For financial reporting purposes, the Iowa Turkey Marketing Council has included all funds, organizations, agencies, boards, commissions, and authorities. The Council has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Council to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Council. The Iowa Turkey Marketing Council has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting – The financial statements of the Iowa Turkey Marketing Council are prepared on the accrual basis.
- C. Cash and Cash Equivalents – For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.
- D. Furniture and Equipment – Furniture and equipment are capitalized at cost. Expenses for repairs and maintenance are charged against operations. The estimated lives for furniture and equipment range from five to ten years.
- E. Compensated Absences – The Council's executive director and office assistant may accumulate vacation for subsequent use or for payment upon retirement, death or termination. The Council has accrued a liability for its share of these compensated absences based on rates of pay in effect at the end of the fiscal year.
- F. Depreciation – Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets.
- G. Salaries Expense – Iowa Turkey Marketing Council employees perform functions which relate to both the Iowa Turkey Federation and the Iowa Turkey Marketing Council. Salaries expense is allocated 90% to the Council.
- H. Income Taxes – The Council is exempt from taxation under Section 115 of the Internal Revenue Code.

**(2) Deposits**

The Council's deposits in banks at December 31, 2004 and 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**(3) Operating Lease**

On January 1, 2001, the Council entered into a lease agreement with the Iowa Turkey Federation for rental of the jointly occupied facility located in Ames, Iowa for \$2,000 per month through June 30, 2004. As of July 1, 2004, the rental has been reduced to \$600 per month. The agreement was extended through December 2005.

**(4) Risk Management**

The Iowa Turkey Marketing Council is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(5) Related Party Transactions**

The Council and the Iowa Turkey Federation work together in developing, promoting, maintaining and expanding the turkey industry. Certain expenses are allocated, through mutual agreement, between the Council and the Iowa Turkey Federation, including salaries and benefits, travel and subsistence, office supplies, telephone, postage and promotional development. The Council reimbursed the Iowa Turkey Federation \$66,585 and \$71,909 for the years ended December 31, 2004 and 2003, respectively, for its share of these expenses. The amounts paid to the Iowa Turkey Federation are distributed to the appropriate expense classifications on Exhibit B of the financial statements.

For the year ended December 31, 2004, the Council contributed \$10,495 to the Iowa Turkey Federation to assist in the purchase of a jointly occupied facility in Ames, Iowa.



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Independent Auditor's Report on  
Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Iowa Turkey  
Marketing Council:

We have audited the financial statements of the Iowa Turkey Marketing Council as of and for the year ended December 31, 2004, and have issued our report thereon dated July 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Turkey Marketing Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Iowa Turkey Marketing Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

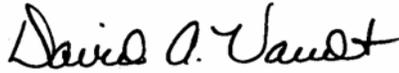
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Turkey Marketing Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Iowa Turkey Marketing Council and other parties to whom the Council may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Turkey Marketing Council during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 28, 2005

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

Accounting Records – The Council’s check book register, ledgers, expenditure and revenue reports were not maintained during the period July 2004 through December 2004. Also, the book and bank balances were not reconciled consistently. The Council was not provided accurate financial reports during the period July through December 2004.

Recommendation – All transactions should be journalized and posted on a timely basis. Comparisons should be made between the check register and ledger. Bank statements should be reconciled monthly and any differences should be identified and corrected in a timely manner. To provide better control over budgeted expenses, accurate and complete financial reports should be provided to the Council, including comparisons to the approved budget.

Response – In April the Executive Director reviewed every invoice and check, then filed them by month. In May our newly hired bookkeeper for the IFT/ITMC entered all transactions from 7/01/04 on into Quick Books and balanced the account. All bank statements were reviewed and reconciled. A printout of the check register from 7/01/04 – 7/10/05 was provided to the State auditors at the meeting on 7/28/05. Also presented at that meeting was the balance sheet and profit & loss budget vs. actual report for Jan. 2005 – May 31, 2005 as the example of the new format for financial reports.

Conclusion – Response accepted.

Iowa Turkey Marketing Council

Schedule of Findings

Year ended December 31, 2004

**Other Findings Related to Required Statutory Reporting:**

Assessment Deposits – As assessment imposed on each turkey producer is collected by turkey processors and remitted to the Council monthly. The Council is required to deposit the assessments received into the Iowa turkey fund in the office of the Treasurer of State in accordance with Chapter 184A.2 of the Code of Iowa. The assessment deposits are then subject to transfer to the Council for refunds and operations.

Three assessment checks from a turkey processor totaling \$27,655 were deposited directly into the Council's bank account rather than being remitted to the Treasurer of State.

Recommendation – The Council should ensure all assessment receipts are deposited with the Treasurer of State as required.

Response – We realize that these receipts should have been deposited initially with the Treasurer of State. We have taken steps to make sure all assessment receipts are deposited as required.

Conclusion – Response accepted.

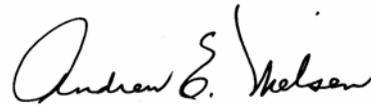
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Iowa Turkey Marketing Council

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Heather L. Templeton, Staff Auditor  
Scott D. Trauger, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State